

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05

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COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 DODE-00 PA-02 PRS-01 IGA-02 L-03

H-02 FEA-01 /106 W

-----069519 180848Z /20

R 172235Z OCT 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7156

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11562: N/A

TAGS: ECON, EFIN, PE

SUBJECT: ECONOMIC MEASURES PUBLISHED BY GOP ON OCTOBER 10-11, 1977

REF: (A) LIMA 8868, (B) LIMA 8922

1. SUMMARY. THE GOP ENACTED SEVERAL LAWS RELATED TO THE ECONOMIC PROGRAM ANNOUNCED BY THE MINISTER OF ECONOMY AND FINANCE ON OCTOBER 10, 1977 (REF B). THESE NEW DECREE LAWS RELATE TO FOREIGN EXCHANGE OPERATIONS AND TO VARIOUS TAXES AND USER FEES. THESE LAWS ARE DESCRIBED BRIEFLY IN THE FOLLOWING PARAGRAPHS. END SUMMARY.

2. D.L. 21,953 (DATED OCT. 7, 1977; PUBLISHED OCT. 10 -- SEE REF A) CREATES A UNIFIED MARKET FOR FOREIGN EXCHANGE TRANSACTIONS. PREVIOUSLY PER HAD TWO LEAGAL FOREIGN EXCHANGE MARKETS, I.E. A DRAFT MARKET AND A CERTIFICATE MARKET. PRIOR TO SEPTEMBER 26, 1975 THE UNCLASSIFIED

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RATES OF EXCHANGE FOR EACH MARKET WERE DIFFERENT. THE DRAFT MARKET APPLIED GENRRLLY TO PROFIT REMITTANCES, TOURIST EXCHANGES, RECEIPTS AND PAYMENTS OF TRADE-RELATED INVISIBLES (INSURANCE AND SHIPPING CHARGES), FAMILY REMITTANCESN AND ALL TRANSACTIONS INELIGIBLE FOR THE CERTIFICATE MARKET. THE CERTIFICATE MARKET APPLIED TO EXPORT PROCEEDS, TO IMPORT EXPENDITURES,

AND TO CERTAIN AUTHORIZED GOVERNMENT PAYMENTS, INTEREST PAYMENTS AND PROFIT REMITTANCES. THE DRAFT MARKET WAS OPERATED BY THE BANCO DE LA NACION AND THE CERTIFICATE MARKET BY THE CENTRAL BANK, ALTHOUGH COMMERCIAL BANKS ACTED AS AGENTS OF THESE INSTITUTIONS. THE NEW DECREE LAW CREATES A SINGLE MARKET UNDER THE DIRECT AUTHORITY OF CENTRAL BANK. FROM A LEGAL POINT OF VIEW THE CHANGE WAS SWEEPING; NO LESS THAN NINE PREVIOUS LAWS DEALING WITH FOREIGN EXCHANGE OPERATIONS WERE NULLIFIED.

3. THE ECONOMIC IMPORTANCE OF D.L. 21, 953 AND THE FOUR IMPLEMENTING FOREIGN EXCHANGE RESOLUTIONS ISSUED BY THE CENTRAL BANK IS THAT THERE IS NO LONGER A FIXED EXCHANGE RATE SET BY THE CENTRAL BANK. ARTICLE 8 OF D.L. 21,953 STATES "THE RATE OF EXCHANGE FOR PURCHASE AND SALE OPERATIONS IN FOREIGN EXCHANGE IN THE SINGLE MARKET FOR FOREIGN EXCHANGE SHALL BE SET BY SUPPLY AND DEMAND". AT THE CLOSE OF DAILY OPERATIONS, COMMERCIAL BANKS MUST INFORM THE SUPERINTENDENCY OF BANKING AND INSURANCE OF THE BUYING AND SELLING RATES FOR TRANSACTIONS OF THAT DAY. COMMERCIAL BANKS AND THE BANCO DE LA NACION ARE OBLIGATED TO SELL ANY NET FOREIGN EXCHANGE BALANCE AT THE END OF EACH DAY OF OPERATIONS TO THE CENTRAL BANK THE

AVERAGE BANKING SYSTEM NET BUYING RATE OF THE PREVIOUS DAY.
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TEN PERCENT OF COMMODITY EXPORT EARNINGS IS SURRENDERED FOR LOCAL CURRENCY AND THE REMAINING NINETY PERCENT IS AVAILABLE TO THE FOREIGN EXCHANGE MARKET BY MEANS OF THE NEW EXPORT EXCHANGE CERTIFICATES ISSUED BY THE CENTRAL BANK. THEREFORE THE NEW SYSTEM CASTS THE CENTRAL BANK IN THE ROLE OF A BUYER OF FOREIGN EXCHANGE FROM THE BANKING SYSTEM AND DOES NOT PROVIDE IT WITH A SELLER'S ROLE VIS-A-VIS THE BANKING SYSTEM. ARTICLE 4 OF D.L. 21,953 ALSO STATES "THE CENTRAL RESERVE BANK OF PERU HAS THE PREFERENTIAL RIGHT TO BUY FOREIGN EXCHANGE IN ORDER TO COMPLY WITH ITS FUNCTIONS..."

WHILE THE ESTABLISHMENT OF WHAT IS GENERALLY REGARDED AS A FLOATING EXCHANGE RATE IS A MAJOR CHANGE FROM THE PREVIOUS SYSTEM, MOST OF THE PREVIOUS CONTROLS AND LIMITATIONS ON ELIGIBILITY OF BUYERS OF FOREIGN EXCHANGE DOCUMENTARY REQUIREMENTS HAVE BEEN MAINTAINED AND ARE SPECIFIED IN EXCHANGE RESOLUTION NUMBER 3.

4. D.L. 21,954 (DATED OCT. 7; PUBLISHED OCT. 10) ALLOWS PERUVIAN RESIDENTS TO BRING FOREIGN EXCHANGE INTO PERU WITHOUT SPECIFICATION OF ORIGIN AND FREE

OF ALL TAX OBLIGATIONS AND PENALTIES FOR CRIMINAL FRAUD. THE LAW ALSO PARDONS THOSE PREVIOUSLY CONVICTED UNDER THE PREVIOUSLY EXISTING EXCHANGE CONTROL LAWS.

5. D.L. 21,955 (DATED OCT 7; PUBLISHED OCT. 11)
MODIFIES THE TAX OF FOREIGN CONSUMPTION. THE NEW TAX IS THIRTY PERCENT OF THE VALUE OF THE TRAVEL FARE PLUS S/.20,000 PER DAY FOR THE FIRST FIVE DAYS OF TRAVEL AND S/.200 FOR EACH ADDITIONAL DAY. VARIOUS CLASSES OF TRAVELLERS ARE GRANTED EXCEPTIONS FROM THIS TAX (E.G. STUDENTS GOVERNMENT OFFICIALS). THE OLD TAX OF THIRTY PERCENT OF THE FOREIGN EXCHANGE SOLD TO TRAVELLERS HAS BEEN ANNULLED.
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6. D.L. 21,956 (DATED OCT 7; PUBLISHED OCT. 11)
SETS NEW CHARGES (S/./6,000) FOR ISSUANCE OF PERUVIAN PASSPORTS AND (S/./5,000 FOR THE REVALIDATION OF PASSPORTS.

7. D.L. 21,957 (DATED OCT. 7; PUBLISHED OCT 11)
MODIFIES THE FORM OF PAYMENT OF TAXES ON COMMODITY EXPORTS. IT PROVIDES FOR PAYMENT BY MEANS OF A NOTE, ISSUED AT TIME OF EMBARKATION OF THE EXPORT AND DENOMINATED IN FOREIGN EXCHANGE, PAYABLE WITHIN 10 WORKING DAYS AFTER RECEIPT OF FOREIGN EXCHANGE INCOME. THIS NEW SYSTEM MAKES EXPORT TAX REVENUES CONSTANT IN TERMS OF FOREIGN EXCHANGE.

8. D.L. 21,958 (DATED OCT 7; PUBLISHED OCT 11)
BROADENS COVERAGE OF THE PAYROLL TAX PREVIOUSLY APPLICABLE ONLY TO PRIVATE BUSINESS AND NOW INCLUDES PUBLIC SECTOR EMPLOYEES AND INDEPENDENT PROFESSIONALS. SOME RATE INCREASES WERE ALSO ENACTED.

9. D.L. 21,959 (DATED OCT 7; PUBLISHED OCT 11) INCREASES (GENERALLY FROM THE OLD RATE OF FIVE PERCENT TO A NEW RATE OF EIGHT PERCENT) AND MAKES THE GENERAL TURNOVER TAX UNIFORM FOR A RELATIVE SMALL PORTION OF THE TAXABLE SERVICES, NAMELY, THE RENTAL OF MOVIE FILMS, INTERNATIONAL TRAVELS FARES, BANK INTEREST, INSURANCE PREMIUMS, FOOD AND BEVERAGES SERVED IN HOTELS, AND TELEVISION COMPANY INCOMES.

10. D.L. 21,960 (DATED OCT. 7; PUBLISHED OCT. 11)
CREATES AN EXCEPTIONAL (TEMPORARY) TAX ON THE NET WEALTH OF BUSINESSES AND INDIVIDUALS (IMPUESTO AL
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PATRIMONIO EMPRESARIAL) WHOSE AMOUNT IS EQUAL TO THE SECOND INSTALLMENT OF THE 1977 TAX LIABILITY. THIS IS EQUIVALENT TO A FIFTY PERCENT INCREASE IN THE NET WEALTH TAX FOR 1977.

11. D.L. 21,961 (DATED OCT. 7; PUBLISHED OCT. 11) INCREASES THE TAX ON KEROSENE, DIESEL FUEL AND FUEL OIL. IN COASTAL AND SIERRA PERU THE RATES OF TAX ARE NOW S/.5.40 PER GALLON FOWSINDUSTRIAL KEROSENE, S/.5.20 PER GALLON FOR NO. 1 DIESEL, AND S/.3.70 PER GALLON FOR RESIDUAL NO. 6. PREVIOUSLY MAXIMUM TAX WERE LESS THAN ONE SOL PER GALLON.
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Message Attributes

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